

**BAINBRIDGE TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**  
**FINANCIAL STATEMENT**  
**March 31, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>BAINBRIDGE TOWNSHIP</b>	County <b>BERRIEN</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>8/19/05</b>	Date Accountant Report Submitted to State: <b>8/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

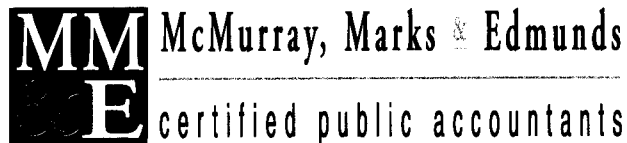
Certified Public Accountant (Firm Name) <b>MCMURRAY, MARKS &amp; EDMUNDS</b>			
Street Address <b>805 VAN BRUNT AVE.</b>	City <b>ST. JOSEPH</b>	State <b>MI</b>	ZIP <b>49085</b>
Accountant Signature 		Date <b>8/29/05</b>	

**BAINBRIDGE TOWNSHIP  
TOWNSHIP BOARD MEMBERS  
MARCH 31, 2005**

**TOWNSHIP BOARD**

Jerry Jollay	Supervisor
Debra Grieser	Clerk
Mark Epple	Treasurer
John Yetzke	Trustee
Don Baiers	Trustee

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## INDEPENDENT AUDITOR'S REPORT

To the Board of  
Bainbridge Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bainbridge Township (the "Township"), as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bainbridge Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bainbridge Township as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Bainbridge Township has implemented a new financial reporting model, as required by Government Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 22 are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bainbridge Township basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*McMurray, Marks & Edmunds*

McMurray, Marks & Edmunds  
August 19, 2005

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The Township's combined net assets increased \$13,845 or 0.82% from a year ago—increasing from \$1,682,047 to \$1,695,892.

**Overview of the Financial Statements**

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Overview of the Financial Statements, Concluded**

Major Features of Bainbridge Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governments Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's governments-wide financial statements because the Township cannot use these assets to finance its operations.



**Financial Analysis Of The Township As A Whole**

The Township's combined net assets were \$1,695,892. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities
Current Assets	\$ 1,567,048
Other Assets	41,578
Capital Assets	124,896
<b>Total Assets</b>	<b>\$ 1,733,522</b>
Deferred Revenue	\$ 31,095
Other liabilities	6,535
<b>Total Liabilities</b>	<b>\$ 37,630</b>
Net Assets	
Invested in capital assets, net of related debt	\$ 124,896
Unrestricted	1,570,996
<b>Total Net Assets</b>	<b>\$ 1,695,892</b>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$16,537 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$1,570,996, or about 417% of expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations. The unrestricted net assets include \$462,508 of net assets accumulated in the Township Improvement and Budget Stabilization Funds that were closed by action of the board and transferred to the General Fund in the current fiscal year.

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>
Program Revenues	
Charges for services	\$ 58,576
Operating Grants and Contributions	8,905
General Revenues	
Property Taxes	54,156
State Shared Revenues	217,170
Fines and Forfeits	375
Interest	20,920
Other Revenues	517
Total Revenues	<u>\$ 360,619</u>
Program Expenses	
General Government	\$ 127,758
Public Safety	129,522
Public Works	68,496
Recreation and Culture	4,000
Community & Economic Development	12,030
Depreciation	4,968
Total Expenses	<u>\$ 346,774</u>
Change in Net Assets	<u>\$ 13,845</u>

The Township's net assets increased slightly from last year. Net assets rose to \$1,695,892.

### **Governmental Activities**

The Township's total governmental revenues increased by approximately \$12,230 and expenses increased by \$7,613 during the year. This was primarily the result of an increase in public safety and public works expenditures.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 10, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2005 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, and other. The most significant is fire, which incurred expenses of approximately \$68,913 in 2005. The service is supported by general revenue sources of the General Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year.

**Capital Asset and Debt Administration**

At the end of March 31, 2005, the Township had investment in capital assets for its governmental activities of \$124,896 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets at March 31, 2004 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**Economic Factors and Next Year's Budgets and Rates**

The Township's anticipates revenue over expenditures in the governmental activities next year.

**Comparative Information**

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Township expects to present full comparative statements.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 621,401
Certificates of Deposit	898,294
Taxes Receivable	3,922
Receivables, Net	6,559
Due from Other Governmental Units	33,073
Due From Fiduciary Funds	3,799
Advance to Other Governmental Units	41,578
Capital Assets, Net	124,896
Total Assets	<u>\$ 1,733,522</u>
<b>Liabilities</b>	
Accounts Payable	\$ 6,524
Accrued and Other Liabilities	11
Deferred Revenue	31,095
Total Liabilities	<u>\$ 37,630</u>
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	\$ 124,896
Unrestricted	1,570,996
Total Net Assets	<u><u>\$ 1,695,892</u></u>

*\*The notes to the financial statements are an integral part of these statements.*

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**March 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>Primary Government</b>				
<i>Governmental Activities</i>				
General Government	\$ 127,758	-	\$ -	\$ (127,758)
Public Safety	129,522	58,576	-	(70,946)
Public Works	68,496	-	8,905	(59,591)
Recreation and Culture	4,000	-	-	(4,000)
Community & Economic Development	12,030	-	-	(12,030)
Depreciation	4,968	-	-	(4,968)
Total Governmental Activities	<u>\$ 346,774</u>	<u>\$ 58,576</u>	<u>\$ 8,905</u>	<u>\$ (279,293)</u>
<b>General Revenues</b>				
Property Taxes				\$ 54,156
State Grants				217,170
Fines and Forfeits				375
Interest				20,920
Other Revenues				517
Total General Revenues				<u>\$ 293,138</u>
<b>Change in Net Assets</b>				<u>\$ 13,845</u>
<b>Net Assets-Beginning</b>				<u>1,682,047</u>
<b>Net Assets-Ending</b>				<u><u>\$ 1,695,892</u></u>

*\*The notes to the financial statements are an integral part of these statements.*

**BAINBRIDGE TOWNSHIP****GOVERNMENTAL FUND BALANCE SHEET  
March 31, 2005**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 621,401	\$ -	\$ 621,401
Certificate of Deposits	898,294	-	898,294
Taxes Receivable	3,922	-	3,922
Receivables, net	6,559	-	6,559
Due from other governmental units	33,073	-	33,073
Due from Fiduciary Funds	3,799	-	3,799
Advance to other governmental units	41,578	-	41,578
Total Assets	<u>\$ 1,608,626</u>	<u>\$ -</u>	<u>\$ 1,608,626</u>
<b>Liabilities and Fund Equity</b>			
Liabilities			
Accounts Payable	\$ 6,524	\$ -	\$ 6,524
Other current liabilities	11	-	11
Deferred Revenue	31,095	-	31,095
Total Liabilities	<u>\$ 37,630</u>	<u>\$ -</u>	<u>\$ 37,630</u>
<b>Fund Balance</b>			
Unreserved:			
Undesignated	\$ 1,570,996	-	\$ 1,570,996
Total Fund Equity	<u>\$ 1,570,996</u>	<u>\$ -</u>	<u>\$ 1,570,996</u>
Total Liabilities and Fund Equity	<u>\$ 1,608,626</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
* Capital assets used in governmental activities are not financial resources and are not reported in the funds			124,896
Net Assets of Governmental Activities			<u>\$ 1,695,892</u>

*\*The notes to the financial statements are an integral part of these statements.*

**BAINBRIDGE TOWNSHIP**

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
March 31, 2005**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 54,156	\$ -	\$ 54,156
Licenses and Permits	40,520	-	40,520
State Grants	217,170	-	217,170
Charges for Services	18,056	-	18,056
Fines and Forfeits	375	-	375
Interest	20,920	-	20,920
Other Revenues	517	-	517
Special Assessment Revenue - Bass Island	8,905	-	8,905
Total Revenues	<u>\$ 360,619</u>	<u>\$ -</u>	<u>\$ 360,619</u>
<b>Expenditures</b>			
Current			
General Government	\$ 127,758	\$ -	\$ 127,758
Public Safety	129,522	-	129,522
Public Works	68,496	-	68,496
Recreation and Culture	4,000	-	4,000
Community & Economic Development	12,030	-	12,030
Capital Outlay	35,350	-	35,350
Total Expenditures	<u>\$ 377,156</u>	<u>\$ -</u>	<u>\$ 377,156</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>\$ (16,537)</u>	<u>\$ -</u>	<u>\$ (16,537)</u>
<b>Other Financing Sources(Uses)</b>			
Operating Transfers In	\$ 462,508	\$ -	\$ 462,508
Operating Transfers Out	-	(462,508)	(462,508)
Total Other Financing Sources(Uses)	<u>\$ 462,508</u>	<u>\$ (462,508)</u>	<u>\$ -</u>
<b>Excess (Deficit) of Revenue and Other Sources Over Expenditures and Other Uses</b>	<u>\$ 445,971</u>	<u>\$ (462,508)</u>	<u>\$ (16,537)</u>
Fund Balance-April 1, 2004	<u>1,125,025</u>	<u>462,508</u>	
Fund Balance-March 31, 2005	<u><u>\$ 1,570,996</u></u>	<u><u>\$ -</u></u>	

Amounts reported for governmental activities in the statement of activities are different because:

- \* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

	30,382
Change in Net Assets of Governmental Activities	<u><u>\$ 13,845</u></u>

*\*The notes to the financial statements are an integral part of these statements.*

**FIDUCIARY FUNDS – STATEMENT OF NET ASSETS  
March 31, 2005**

	Trust & Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 3,799
Due from other governmental funds	-
Total Assets	<u>\$ 3,799</u>
<b>Liabilities</b>	
Due to other governmental funds:	
General Fund	\$ 3,799
Due to other governmental units	-
Total Liabilities	<u>\$ 3,799</u>

*\*The notes to the financial statements are an integral part of these statements.*



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Bainbridge Township (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

**Blended Component Units**—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2005.

**Discretely Presented Component Units**—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at March 31, 2005.

**Jointly Governed Organization**—The Township has no jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, Concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Property Taxes**--The Township's property taxes attach as an enforceable lien on December 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Township totaled \$70 million, on which ad valorem taxes levied which consisted of .7725 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable—current or as tax revenue.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets at April 1, 2004 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Liabilities, and Net Assets or Equity, Concluded**

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**E. Accounting Change**

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basis Financial Statements—and Management's Discussions and Analysis—for State and Local Governments ("GASB 34"). Changes to the Township's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Township's overall financial position and results of operations has been included.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****E. Accounting Change, Concluded**

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities have been provided.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1<sup>st</sup> and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
General Government - Legislative	\$ 28,838	\$ 34,283	\$ (5,445)
General Government - Board of Review	1,095	1,158	(63)
Public Safety - Building Inspection	29,700	36,120	(6,420)
Public Safety - Ordinance Enforcement	5,460	5,489	(29)
Community & Econ Development - Planning Comm	8,730	9,778	(1,048)
Community & Econ Development - Board of Appeals	1,728	1,815	(87)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**

Fund Deficits—The Township has no accumulated fund balance/retained earnings deficits in their reported funds.

**NOTE 3. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four (4) banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At March 31, 2005, the Township's deposits and investments were reported in the basis financial statements in the following categories:

	Governmental Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 621,401	\$ 621,401	\$ 3,799
Certificates of deposit	898,294	898,294	-
Total	<u>\$ 1,519,695</u>	<u>\$ 1,519,695</u>	<u>\$ 3,799</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, C/D's)	\$ 621,301	\$ 3,799
Certificates of Deposit > 90 days	898,294	-
Petty Cash and Cash on Hand	100	-
	<u>\$ 1,519,695</u>	<u>\$ 3,799</u>

The bank balance of the primary government's and fiduciary deposits is \$1,617,641, of which \$400,000 is covered by federal depository insurance.

**NOTE 4. RECEIVABLES AND PAYABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-Major Funds	Total
Taxes Receivable	\$ 3,922	\$ -	\$ 3,922
Accounts	6,559	-	6,559
Less: Allowance for Uncollectible	-	-	-
Net Receivables	<u>\$ 10,481</u>	<u>\$ -</u>	<u>\$ 10,481</u>

Payables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds, in the aggregate, are as follows:

	General Fund	Non-Major Funds	Total
Payables:			
Trade	\$ 6,524	\$ -	\$ 6,524

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated				
Land	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>
Capital assets being depreciated				
Land improvements	\$ -	\$ 35,350	\$ -	\$ 35,350
Building and building improvements	92,227	-	-	92,227
Equipment	28,400	-	-	28,400
Subtotal	<u>\$ 120,627</u>	<u>\$ 35,350</u>	<u>\$ -</u>	<u>\$ 155,977</u>
Less: Accumulated Depreciation	<u>(27,413)</u>	<u>(4,968)</u>	<u>-</u>	<u>(32,381)</u>
Net Capital Assets Being Depreciated	<u>\$ 93,214</u>	<u>\$ 30,382</u>	<u>\$ -</u>	<u>\$ 123,596</u>
<b>Governmental activities total</b>				
<b>capital assets-net of depreciation</b>	<u><u>\$ 94,514</u></u>	<u><u>\$ 30,382</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 124,896</u></u>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.



**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue - Improvement Fund	\$ 421,885
General Fund	Special Revenue - Stabilization Fund	40,623
<b>Total</b>		<u><u>\$ 462,508</u></u>

The current year transfers were from the special revenue fund to the general fund as the general fund will now handle all improvement and stabilization activities.

**NOTE 7. DESIGNATED NET ASSETS**

The Township had no designated net assets.

**NOTE 8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9. LEASES**

The Township did not have any operating or capital leases during the year.

**NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES**

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period ended 4/1/2004 3/31/2005
Revenues:	\$ 40,520
Fees Charged	36,120
Expenses	<u><u>\$ 4,400</u></u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**BAINBRIDGE TOWNSHIP****BUDGETARY COMPARISON SCHEDULE-GENERAL FUND  
March 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 1,125,025	\$ 1,125,025	\$ 1,125,025	
<b>Available for Appropriation (Inflows)</b>				
Taxes	\$ 51,661	\$ 51,661	\$ 54,156	\$ 2,495
Licenses and Permits	31,000	31,000	40,520	9,520
State Grants	216,649	216,649	217,170	521
Charges for Services	17,000	17,000	18,056	1,056
Fines and Forfeits	100	100	375	275
Interest	11,300	11,300	20,920	9,620
Other Revenues	200	200	517	317
Transfer In	25,000	110,000	462,508	352,508
Special Assessment Revenue - Bass Island	-	10,000	8,905	(1,095)
Amounts Available for Appropriation	<u>\$ 352,910</u>	<u>\$ 447,910</u>	<u>\$ 823,127</u>	
<b>Charges to Appropriations(Outflows)</b>				
General Government				
Legislative	28,838	28,838	34,283	(5,445)
Supervisor	13,679	14,179	13,280	899
Elections	6,400	6,400	6,141	259
Assessor	19,890	19,890	18,122	1,768
Clerk	13,804	13,804	13,553	251
Board of Review	1,095	1,095	1,158	(63)
Treasurer	17,963	17,963	14,702	3,261
Hall and Grounds	22,870	22,870	20,249	2,621
Cemetery	6,900	6,900	6,270	630
Public Safety				
Fire Protection	69,900	69,900	68,913	987
Building Inspection	29,700	29,700	36,120	(6,420)
Ordinance Enforcement	5,460	5,460	5,489	(29)
Ambulance	19,000	19,000	19,000	-
Public Works				
Roads	71,103	71,103	67,176	3,927
Drains	1,500	1,500	1,320	180
Recreation & Cultural				
Library	4,000	4,000	4,000	-
Community & Economic Development				
Planning Commission	8,730	8,730	9,778	(1,048)
Zoning	800	800	437	363
Board of Appeals	1,728	1,728	1,815	(87)
Capital Outlay	4,750	89,750	35,350	54,400
Total Charges to Appropriations	<u>348,110</u>	<u>433,610</u>	<u>377,156</u>	
End of Year Fund Balance-March 31, 2005	<u>1,129,825</u>	<u>1,139,325</u>	<u>1,570,996</u>	

**OTHER SUPPLEMENTAL INFORMATION**

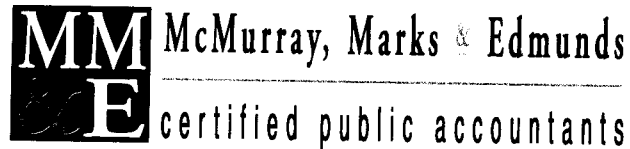
**BAINBRIDGE TOWNSHIP****COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS****March 31, 2005**

	Special Revenue Funds		Total Non-Major Governmental Funds
	Improvement Fund	Stabilization Fund	
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Taxes Receivable	-	-	-
Accounts Receivable	-	-	-
Due from other governmental funds	-	-	-
Due from Fiduciary Funds	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Fund Equity</b>			
Liabilities	\$ -	\$ -	\$ -
Accounts Payable	-	-	-
Due to other governmental funds	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance</b>			
Reserved	\$ -	\$ -	\$ -
Unreserved:			
Designated	-	-	-
Undesignated	-	-	-
Total Fund Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BAINBRIDGE TOWNSHIP**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**March 31, 2005**

	Special Revenue Funds		Total Non-Major Governmental Funds
	Improvement Fund	Stabilization Fund	
<b>Revenues</b>			
Taxes and Penalties	\$ -	\$ -	\$ -
Charges for Services	-	-	-
Interest and Rentals	-	-	-
Other Revenues	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures</b>			
Current			
General Government	\$ -	\$ -	\$ -
Public Safety	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Financing Sources(Uses)</b>			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	(421,885)	(40,623)	(462,508)
Total Other Financing Sources(Uses)	<u>\$ (421,885)</u>	<u>\$ (40,623)</u>	<u>\$ (462,508)</u>
<b>Deficiency of Revenue and Other Sources Under Expenditures and Other Uses</b>	<u>\$ (421,885)</u>	<u>\$ (40,623)</u>	<u>\$ (462,508)</u>
Fund Balance-April 1, 2004	421,885	40,623	462,508
Fund Balance-March 31, 2005	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



August 19, 2005

To the Township Board of  
Bainbridge Township  
Watervliet, MI

In planning and performing our audit of the financial statement of Bainbridge Township ("Township") for the year ended March 31, 2005, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

#### **SEGREGATION OF DUTIES**

The Township lacks an appropriate segregation of duties consistent with appropriate control objectives. We understand that this is primarily due to financial constraints.

#### **REVIEW GOVERNMENT ACCOUNTING STANDARD BOARD ("GASB") STATEMENT #40-DEPOSIT AND INVESTMENT RISK DISCLOSURES.**

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by the investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should also be part of the disclosure.

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk for each area is quantified.

#### **ADOPTION OF CAPITALIZATION POLICY**

With the Township's adoption of G.A.S.B. 34 requirements, it is necessary for Township assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies.

We recommend that the Township adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one (1) year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.

The report is intended solely for the information and use of Bainbridge Township management, and others within the Township, and is not intended to be and should not be used by anyone other than these parties.

We appreciate the courtesy and cooperation extended to us by you and members of the Township during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

*McMurray, Marks & Edmunds*

McMurray, Marks & Edmunds  
St. Joseph, MI